

## Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 PA-01 PRS-01 L-03

H-02 AGR-05 AGRE-00 /076 W  
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R 271025Z SEP 76

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC 7073

INFO AMEMBASSY BANGKOK

AMEMBASSY PARIS

RUMJDMBXAMCONSUL HONG KONG 3767

CINCPAC

C O N F I D E N T I A L VIENTIANE 2350

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: EFIN EIND AFIN ALOW LA

SUBJECT: NATIONALIZATION OF IMPORT BUSINESSES

REF A VIENTIANE 2305, B VIENTIANE 2174

1. THE BLACK MARKET CRACKDOWN ANTICIPATED REF A BEGAN THE MORNING OF SEPTEMBER 25 WHEN THE GOVERNMENT TOOK OVER ALL IMPORT BUSINESSES IN ORDER TO CONTROL THE BLACK MARKET FOR DOLLARS. MEASURE PRIMARILY AFFECTS THE STORES OWNED MOSTLY BY INDIAN AND CHINESE MERCHANTS WHICH IMPORT DRY GOODS FOR RETAIL, BUT EVEN FACTORIES THAT IMPORT MATERIALS MUST NOW DO SO THROUGH THE GOVERNMENT.

2. A WELL INFORMED CHINESE MONEY CHANGER TOLD EMBASSY OFFICER THAT THREE TO FIVE SOLDIERS ARE STATIONED AT EACH RETAIL STORE WHOSE OWNER HAS AN IMPORT LICENSE. THE SOLDIERS FIRST CLOSED THE SHOPS WHILE THEY INVENTORIED STOCKS. THE OWNERS  
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THEN HAD THE CHOICE EITHER OF GOING OUT OF BUSINESS BY SELLING

THEIR STOCKS TO THE STATE, TO BE RETAILED BY GOVERNMENT COOPER-ATIVES, OR OF CONTINUING TO MANAGE THEIR SHOPS AS GOVERNMENT EMPLOYEES AND SELL GOODS AT LOW PRICES SET BY THE GOVERNMENT. THE CHINESE MONEY CHANGER, WHO HAD LOST THOUSANDS OF DOLLARS WHEN THE LPDR CONFISCATED HIS WAREHOUSE OF IMPORTED LIQUORS EARLIER THIS YEAR, CHUCKLED AS HE TOLD EMBASSY OFFICER, "THE CHINESE COMMERCIAL COMMUNITY HAS SUFFERED THE MOST UNDER THIS

REGIME WHILE THE INDIANS HAVE MADE FORTUNES BY SELLING TO THE SOVIETS ON THE BLACK MARKET. NOW THE INDIAN CLOTH MERCHANTS ARE GOING TO LOSE THEIR SHIRTS."

3. SEMINARS WERE HELD OVER THE WEEKEND TO EXPLAIN THE BLACK MARKET CREWKDOWN TO THE PEOPLE OF VIENTIANE. THE SEMINARS, WHICH LSTED DSOM FOUR TO FIVE HOURS, WERE FILLED WITH STRIDENT CRITICISM OF SELFISH MERCHANT, CONTINUING THE ANTI-MERCHANT CAMPAIGN REPORTED REF B.

4. THE BLACK MARKET CRACKDOWN FOLLOWED IMMEDIATSGY UPON THE CLOSING OF THE SPECIAL ECONOMICS SEMINAR (REF A). ALTHOUGH SOME SEMINAR PARTICIPANTS HAVE RETURNED TO THEIR HOMES, OTHERS HAVE BEEN SENT TO RURAL VILLAGES FOR THREE MONTH ASSIGNMENTS AS PROPAGANDISTS.

5. THE BLACK MARKET RATE FOR DOLLARS ROSE FROM 1200 SEPTEMBER 9 (REF B) TO ABOUT 1300 SEPTEMBER 24. AFTER THE SEPTEMBER 25 CRACKDOWN, THE RATE ROSE ON SEPTEMBER 6; TO ABOUT 1400 KIP, THE HIGHEST YET RECORDED BY EMBASSY MARKET SURVEY.

6. SO FAR, THE BLACK MARKET CRACKDOWN HAS HAD LITTLE CLEAR IMPACT ON THE LOCAL FOOD MARKET. PORK, WHICH HELD CONSTANT FROM SEPTEMBER 9 TO SEPTEMBER 24 AT 1000 KIP PER KILO, ROSE TO 1700 KIP ON SEPTEMBER 27. THE PRICE OF CHICKEN ROSE FROM 1200 KIP SEPTEMBER 9 TO 1300 KIP STEPENBER 24, BUT FELL TO 1000 KIP SEPTEMBER 27. BEEF FELL FROM 1500 SEPTEMBER 9 TO 1400 KIP PER KILO ON BOTH SEPTEMBER 24 AND 27.

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